



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

## RELATIONS BETWEEN LABOR AND CAPITAL AND RECONSTRUCTION

Among domestic problems of after-the-war reconstruction those relating to labor are by far the most difficult and important. Millions of men from the Army and Navy must then be absorbed in peaceful pursuits and large numbers now engaged in war work must find other occupation. Money wages have advanced sharply; a subsequent general decline, though accompanied and in part occasioned by falling prices, will encounter strong opposition.

In meeting these conditions it will be of immense advantage if good will and readiness to coöperate mark the relations between labor and capital. Unhappily war industrial conditions seem to be fostering the growth of distrust and antagonism, which, though now held in check, may cause serious trouble after the return of peace. On account of the abnormally intense demand for labor, wage-earners have been able to secure many concessions from employers regarding hours and other conditions. There are significant indications that some employers are not indisposed to take their innings at the first favorable opportunity. For the community as a whole and from the point of view of the enlightened self interest of employers as well, the adoption of such a course will surely be most regrettable; it will be certain to occasion widespread social unrest and to react most unfavorably upon the efficiency of labor.

Labor problems of the period of reconstruction would seem to be of two inter-related but fairly distinct kinds: (a) employment and wage adjustments involved in the return of industry to a normal peace basis, and (b) the relations between labor and capital, *i.e.*, the entire field of employment conditions. This paper is not concerned with the detailed consideration of the former group of problems. The degree of difficulty experienced by soldiers and war workers in securing employment in the various peace industries, and the extent of the fall in the general level of money wages will be determined largely by the character of the after-the-war demand for different commodities, the degree of business activity, and the monetary and credit situation. A period marked by widespread unemployment and by a decided fall in money wages would be unfavorable for the development of improved relations between labor and capital. But the situation as regards these matters is only one of the many factors and influences which

shape those relations. The efforts of organized wage-earners, legislation, technological requirements, the good sense and good will of some employers together with selfishness and lack of foresight of other employers all have a share in the evolution of industrial relations.

Severe and prolonged depression during the reconstruction period would doubtless overshadow all other influences affecting industrial relations, but fortunately there seems to be little if any reason to anticipate such an untoward state of affairs. A moderate decline in prices and in money wages after the war is altogether probable and perhaps not undesirable. A disastrously rapid decline, there is good reason to believe, can be avoided by a careful handling of the credit situation here and abroad. Active business continued for many years after the Civil War. Economy generally practiced now, together with deferred maintenance expenditure here and much rehabilitation work in Europe, would seem to provide a basis for that evident demand for goods which is always present in periods of active business.

In a number of ways it will be possible through direct government action to influence the general labor situation. Legislation granting power to limit the influx of immigrants during the period of reconstruction would serve to control one possible source of labor supply. Labor exchanges will facilitate the process of finding employment. Demobilization can perhaps be so handled as to lessen the danger of unmanageably large additions to the numbers of men seeking employment. Land settlement schemes promise to absorb a considerable though uncertain number of returning soldiers and presumably others as well. Large appropriations for public works to be expended only in the event of much unemployment during the period of reconstruction may also be advisable.

Although, as a result of general business activity and wise governmental action, a highly unfavorable condition may not develop in the labor market during the period of reconstruction, the large numbers who must find new employment can hardly fail to weaken the bargaining power of labor and to enhance that of employers. In the absence of an unusual measure of restraint and foresight, especially on the part of employers, relations between labor and capital may easily become seriously strained and embittered. A positive improvement in those relations during the reconstruction period, similarly, will depend more than in ordinary times upon the attitude and initiative of employers.

That there is room for great improvement in relations between labor and capital will not be questioned. Whether the period of reconstruction will be marked by such improvement is by no means certain, but there are reasons for the belief that some of the obstacles to improved relations can be more readily overcome than in normal times.

The war experience has weakened the hold of accustomed modes of thought and feeling. There is unusual readiness to consider ways of doing things quite unlike those which have been consecrated by experience. In a rapidly increasing number of factories employment management departments are being established—a development which is significant of a growing recognition of the need of better methods of securing and retaining workmen. By far the most potent influence which may be expected to contribute to an improvement in industrial relations, however, would seem to be the clear recognition by employers that present methods of factory management do not secure a high degree of labor efficiency. During the war there have been instances of declining efficiency but in striking instances this tendency has been counteracted, and often much more than counteracted, by the force of the patriotic spirit animating the overwhelming majority of wage-earners. In fact, the marvelous increase in the output of certain factories under the stimulating influence of war needs has made more clear to employers than ever before that wage-earners under the conditions prevailing in times of peace feel little or no interest in a high degree of productivity in industry.

During the last few years a number of practices and principles in factory management have been recognized and very generally adopted. Cost accounting, the planning and routine of work, are familiar examples. The results of this development have been important, but an even greater advance will be made if arrangements can be worked out and adopted which will make an enlarged output positively and obviously of advantage to employees. To bring this about a radical change in the attitude of employers toward the labor factor in production is required. Determination of the most feasible and effective arrangements for attaining the end in view is a secondary matter. It must be preceded by recognition that the maintenance of an interest in output among workmen is the most fundamental and important single principle of factory management.

Many and apparently an increasing number of wage-earners are

of the opinion that improvements in production and efficiency are positively disadvantageous to them as individuals and contrary to their interest as a class. An industrial system in which this attitude can become prevalent is surely defective and may well require modifications of a fundamental character. Efforts of employers to exercise greater control over industry will not improve matters. Autocratic industrial power can neither raise the average standard of effort and interest in work in employees nor prevent a general decline in efficiency when wage-earners are dissatisfied with the terms and conditions of their work. On account of the growth in size of the business unit, wage-earners are far removed from personal contact with employers. A more democratic spirit animates them and they are more conscious of their own real or supposed interests. Autocratic methods in factory management will therefore, it is to be anticipated, prove increasingly ineffective as a means of securing efficiency; and also they seem likely to foster the growth of widespread social antagonism and discontent.

There is another efficiency-conserving influence of first-rate importance which will probably be far less potent in the future than in the past. Recurrent periods of industrial depression have contributed much to the maintenance of labor efficiency. The difficulty of finding a new job enforces upon the mind of the workman the necessity of more than his previous accomplishment. To relieve distress unemployment insurance and the concentration of public works expenditures, so far as may be, in periods of depression, are in prospect. Soup kitchens and other charitable measures are unsatisfactory and degrading palliatives for conditions entirely beyond the control of wage-earners. The danger of becoming dependent upon them will not be allowed to overshadow the workman indefinitely and probably not for long. For the incidental stimulating effects on efficiency of an irregular demand for labor, employers must find other and more humane devices. Happily other and more effective means are available.

Emerson somewhere remarks that men are as lazy as they dare to be. This sententious observation contains a modicum of truth, but it is by no means a sufficient explanation of the common attitude of labor toward efficiency in production. Nor are fears of general over-production, a hoary economic fallacy, responsible to any very considerable extent. On the other hand, the long run advantage to every one, as consumer, from an enlarged annual output of the industries of the country cannot be expected to in-

duce efficiency, because it is too vague and diffused an advantage. It is not directly and immediately in proportion to the increment in output which may be made as a result of greater and more intelligent effort. The workman is not satisfied, and it may be added that no class in the community has ever been satisfied with remote advantages as consumers in return for specific efforts.

The ultimate advantage to wage-earners as consumers is not merely too remote to be a spur to efficiency. Frequently a greater output is the result of, or involves, changes and readjustments which are positively painful and disadvantageous to the workman directly concerned. The introduction of a new machine may destroy the value of acquired skill. Upon the workman falls the burden of a risk analogous to that of obsolescence, for which, in the case of plant and equipment, capital secures compensation by making it one of the costs of doing business. Unemployment and other forms of insurance, which, as we have seen, may weaken one efficiency motive, may also at the same time remove an obstacle to efficiency of even greater importance. Variations from the standard length of the working day can be made in such a way as to be helpful. A steeply graduated scale of rates for overtime would do something to check the feverish, badly directed business activity which always precedes a crisis and subsequent period of depression.

But very much more than the removal of obstacles is required to secure a high degree of labor efficiency. There must be positive incentives. To be effective these incentives must be closely related to the work performed. They must be found within the field of activity of each business organization and throughout each industry. Interest in the work itself is essential for efficiency in certain kinds of work and much to be desired in all. But the minute division of labor whether with or without machinery ordinarily works against this interest. On the other hand, it makes possible so enormous an increase in production that it is certain to be applied more and more generally throughout the field of industry. Where the handling of a machine requires physical and mental alertness and effort, in other words, is of an energizing character, it is possible by the use of individual progress records to develop an interest in subdivided machine work among employees.<sup>1</sup> There are also great possibilities of the elimination of much

<sup>1</sup> "The Creative Workman," by R. B. Wolf, an instructive paper presented at the 1918 meeting of the Technical Association of the Pulp and Paper Industry.

deadening routine work through the development of automatic machinery. These are prospects of the rather distant future. In the meantime other means of inducing efficiency and, if possible, interest in work as well must be sought.

In place of an interest in the actual work performed, an interest in some part or in the entire range of activities of the enterprise employing the workman has great possibilities. In the course of time much may perhaps be accomplished in this direction, but for the immediate future, at all events, the main reliance must be upon the pay envelope and other pecuniary incentives to induce efficiency.

Pecuniary incentives to efficiency must be closely related to the work performed, but much more than this is absolutely indispensable. Piece work wages, bonus devices, and profit-sharing arrangements are all means suitable in different situations of relating the return of the wage-earner to his accomplishment. Experience proves conclusively, however, that such arrangements do not in themselves provide the necessary incentives for efficiency. They are inadequate because they do not rest upon a broad and firm foundation. The employer ordinarily has virtually absolute power in the initiation, formulation, and termination of them. The workman must rely upon the good will and good sense of the employer. Such dependence is offensive to many wage-earners. In any event, there is no foundation for greater efficiency in industry generally since not all employers are strictly fair and endowed with a large measure of good sense. A common attitude of many employers seems to be that no workman should for any considerable length of time receive more than six or seven dollars a day in wages. Reductions in piece work rates are made in a manner which seems arbitrary and unfair to the men because frequently no explanation is given and almost never do workmen enjoy an advisory voice in the matter, much less a temporary veto.

The exercise of arbitrary power over changes in piece work rates, and save in exceptional instances, even the possession by employers of such power, are insuperable obstacles to the establishment in the minds of the men of anything approaching certainty that they will derive adequate advantages from greater efficiency and effort.

The Taylor, and other systems of scientific management perhaps, contains the making of arrangements which might render an enlarged output positively and obviously of advantage to wage-

earnings. Taylor himself perceived this possibility and insisted that a square deal with labor was essential if his system was to secure widespread adoption. But Taylor did not make this aspect of scientific management the central point of departure; he relied entirely upon the good sense of employers to safeguard the interests of the men. Consequently it was not made certain at the outset, and is not now certain, that the worker under scientific management is sure to receive a reasonable share of the gains resulting from the adoption of the system. A method of production which has perhaps very great possibilities now encounters such widespread distrust among workmen that it cannot be fairly tested and developed under favorable conditions in any considerable number of factories.

The general acceptance by employers of the fundamental importance of the development of an interest in output among employees as a working principle in factory management is the indispensable first step if a general increase in efficiency is to be made. In the course of time the manifestation of this attitude in practice would do much to establish confidence among employees. But much more than this will be necessary. Uncertainty regarding the motives and intentions of employers is not easily removed. In these circumstances it is reasonable to anticipate that an interest in output can be most readily established among well organized wage-earners in possession of strong bargaining power. To assert that the presence of strong trade unions might facilitate the adoption of efficiency measures and render them more effective will seem a hard doctrine to many employers. This view of the matter is not, however, based altogether on theoretical considerations. One of the most efficient industries in the world, especially on the labor side, the Lancashire Cotton industry, is strongly and completely organized. Trade union officials representing the operatives treat on an equal footing with representatives of the employers regarding wages, hours, and all other matters of mutual concern. Significantly enough this is the only great English industry which looks forward with confidence to the years immediately following the war.

In occupations in which there are now trade unions, policies designed to enhance efficiency should be introduced in coöperation with the unions. When it becomes clear that all intentions of smashing the unions have been given up, the way to negotiations will be open. In this connection it cannot be too strongly empha-



sized that no gain in efficiency is to be secured through measures which in the minds of the men seem likely to undermine trade union organization. At the same time employers may reasonably expect that the open union would become the usual form of labor organization. The closed union is a fighting weapon. It has no place when industrial relations are reasonably harmonious.

Equality in bargaining power between employer and employees is only a foundation for efficiency arrangements. Such bargaining power is likely to waste itself over a diminishing output unless it is accompanied by arrangements which will give the workmen an unmistakable interest in an enlarged output. On the other hand specific efficiency inducements, taking industry as a whole, are also inadequate. There are of course many instances of particular employers who have secured a high degree of labor efficiency without sacrificing in any way their power of control over factory operations. Often this result is directly due to the personality of the employer; in other instances it is due to exceptionally high wages or other advantages. The results secured by the model and progressive employer are, however, largely due to the circumstance that he is an exceptional employer. His experience may point the way to desirable changes in factory practice but when those improvements have been generally adopted they lose much of their stimulating effect on efficiency.

In the formulation of labor policies it should be recognized that absolute confidence on the part of workmen in the employer may take the place of strong bargaining power as a foundation for efficiency arrangements. It is at best a somewhat precarious foundation, however, since with the passage of time changes in the personnel of the management of an enterprise are inevitable. Even so, it would seem clear that the organization of unions where strong bargaining power is positively needed because of the absence of such confidence, and the development of satisfactory relations between unions and employers, are policies which promise far more to labor than can be gained through insistence upon immediate universal unionization.

Pecuniary inducements to efficiency have been first considered because of the primary importance of that factor. Advances in wages are not, however, always an incentive to effort. At times wages advance more rapidly than the standard of life and breed idleness. It is certainly much to be desired that pecuniary inducements be supplemented in every possible way by means which

will give the worker an interest in his work and in the enterprise by which he is employed. In organized industries supplementing trade agreements, and in unorganized industries for a wider range of objects, management sharing seems to be the most promising means of establishing conditions under which such interest will be developed. How far it might prove advisable for employers to consent to limitations upon their control of industry with this object in view cannot of course be determined in advance. In general these limitations would seem to include a voice in the determination of many internal shop matters as well as definite agreement as to the duration of and the considerations warranting changes in rates of wages.

Upon the possibilities of management sharing a passage from a recent work on profit sharing by a number of employers is most significant:<sup>2</sup>

How far the formation of groups and advisory committees for participation in management can be extended to the wage earning group is one of the most interesting problems of modern industry. . . . Many concerns have already some committees in operation among the rank and file. Safety committees are being urged by compensation insurance companies, fire prevention committees are not uncommon, and those for the management of sick benefits or organized recreation are widely accepted in principle. Is it not probable that committees of workers can be formed equally well to deal with other aspects of the business which affect them directly, and on which they are competent to advise, as for example, savings, suggestions, hiring and firing, health pensions, grievances—and even wages? Obviously such organizations, if they could be made to function wisely, would greatly increase the coöperative spirit, either with or without the use of profit sharing. Considering the vast fund of inside knowledge of conditions which the employer of a large establishment so rarely has any access to, the elusive but highly important “workers’ point of view,” and, not least, the great possibilities in the field of educating workers in coördination of effort, the significance of the problem of participation in management by the wage earners becomes apparent. It is not unlikely that the near future will see promising experiments in this field.

It would be too much to expect that under abnormal war industrial conditions committees of this nature in all cases will prove satisfactory to employers or to employees. To abandon them on this account at the close of the war would, however, be most unfortunate. Management sharing is susceptible of indefinite modi-

<sup>2</sup> *Profit Sharing*, by A. W. Burritt, H. S. Dennison, H. P. Kendall (employers), E. F. Gay, and R. E. Heilman, pp. 156-7.

fication and development as experience with its workings is acquired.

No revolutionary transformation in industrial relations can be made easily or in a short period of time. But there is certainly a possibility that relations can be improved during the period of after-the-war reconstruction, and also a danger that they may become more unsatisfactory. This danger will presumably be much reduced if the nature of the problems and difficulties of the after-the-war period in the field of labor are effectively brought to the attention of the people generally and if the vital importance of avoiding policies which must inevitably excite strife and distrust is made evident. The situation would seem to be one, the wise handling of which might be greatly furthered through the creation of a special labor commission composed of men whose findings would command the respect and confidence of the entire community.

The special circumstances of the after-the-war period alone would seem to furnish sufficient reason for a labor commission. We have had commissions in the past and their work, though imperfect, has been fruitful. It may, however, be said without reflecting upon their work that none of them has approached the subject of industrial relations primarily from the angle of efficiency. A commission which made efficiency the central point of departure would concern itself with a number of problems which have not been given thoroughgoing examination. It would endeavor, for example, to determine the advantages and disadvantages to wage-earners from a large industrial output. It might find convincing grounds for the view that the development and adoption of labor-saving devices would be greatly furthered if, by insurance or other arrangements, the particular workmen unfavorably affected were compensated. A thoroughgoing and unprejudiced investigation of scientific management systems is urgently needed to determine whether they can be developed under conditions which will make them of positive advantage to labor.

The efficiency approach would involve an analysis of every phase of industrial relations. It is a hopeful approach because it would emphasize an aspect which makes a strong appeal to employers and which, at the same time, though less obviously, is of vital importance to the wage-earner and to the community. Through changes in the distribution of a stationary output of the industries of the country there are only limited possibilities of

improvement. A distinct advance in leisure and in material comfort requires a positive increase in the productivity of industry.

Whether it would be advisable to establish a labor commission immediately is perhaps doubtful. Nothing should be done which would interfere with the conduct of the war. Quite apart from this consideration it is probable that the effectiveness of a commission would be served if its organization were preceded by the assembling of data which would be needed under its terms of reference. The composition of the membership of such a commission is obviously of vital importance. It should certainly include representatives of organized labor and one or more progressive employers. It should also probably include representatives of employers in industries in which there is little or no unionization at present. It is difficult to give unorganized labor adequate representation. Its interests can perhaps be fairly represented by members representing the general public interest who have no direct interest in industrial matters.

It is, of course, quite possible that in the War Labor Policies Board and other agencies of the Department of Labor adequate and effective machinery is already available. In handling the war labor situation these agencies are exerting a profound influence upon industrial relations. If at the close of the war they are regarded with confidence by both employers and employees a separate commission will presumably not be needed. If, however, they are regarded with distrust by any considerable number in either group the establishment of a commission would seem to be advisable.

O. M. W. SPRAGUE.